

Message Text

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TO AMEMBASSY KINSHASA IMMEDIATE

C O N F I D E N T I A L STATE 191746

E.O. 11652: GDS

TAGS: EFIN, CG

SUBJECT: LONDON CLUB AGREEMENT

REFTEL: STATE 132821

1. CITIBANK REP ABBOT HAS JUST INFORMED US THAT VICE PRESIDENT HAMILTON MESERVE WILL VISIT KINSHASA AUGUST 14 TO DISCUSS IMPLEMENTATION OF THE LONDON CLUB AGREEMENT WITH COMMISSIONER OF FINANCE BOFOSSA AT A MEETING SET FOR 1100 HOURS. MESERVE ARRIVES ON SABENA 329 AND DEPARTS AUGUST 15 AT 0100 HOURS ON TAP 244 FOR LISBON. MESERVE WOULD ALSO LIKE TO MEET WITH AMBASSADOR CUELER AND ASKS THAT A NOTE BE LEFT FOR HIM AT THE INTER-CONTINENTAL HOTEL IN THIS REGARD.

2. WHILE CITIBANK'S PROPOSALS ON ZAIRE ARE APPARENTLY STILL UNDER NEGOTIATION WITH INTERESTED BANKS, THEIR MAIN THRUST
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STILL SEEMS BASED ON THE IDEA OF 180-DAY REVOLVING LETTERS OF CREDIT RATHER THAN REGULAR FIVE-YEAR LOAN. USG VIEWS ON THIS ISSUE HAVE BEEN EXPLAINED TO EX-CENTRAL BANK GOVERNOR SAMBWA AS PER REFTEL. BOFOSSA SHOULD ALSO BE AWARE OF CREDITOR COUNTRY CONCERN WITH ISSUE OF COMPARABLE TREATMENT OF PUBLIC AND PRIVATE CREDITORS IN VIEW HIS PARTICIPATION IN RECENT PARIS CLUB MEETING INCLUDING HIS DIS-

CUSSIONS WITH USG DELEGATION TO THIS MEETING. WE BELIEVE, HOWEVER, THAT IT WOULD BE USEFUL FOR YOU TO CONTACT BOFOSSA BEFORE HIS MEETING WITH MESERVE TO BOTH REITERATE USG VIEWS AND TO SOLICIT HIS VIEWS ON THE OUTCOME OF ZAIRE'S NEGOTIATIONS WITH THE PRIVATE BANKS.

3. IN OUR VIEW ZAIRE WILL CONFRONT DIFFICULT FINANCIAL BIND AT LEAST THROUGH 1979. 1978 WILL BE A PARTICULARLY DIFFICULT YEAR, AND WILL REQUIRE STRICT GOZ ADHERENCE TO ITS IMF STABILIZATION PROGRAM. IN YOUR TALKS WITH BOFOSSA YOU SHOULD STATE THAT IN OUR VIEW THE IDEA OF 180-DAY REVOLVING LETTERS OF CREDIT (SOMETIMES CALLED A MEDIUM-TERM CREDIT BY CITIBANK) COULD IMPOSE A FINANCIAL BURDEN ON ZAIRE WHICH MAY JOEPARDIZE THE EFFORTS OF BOTH THE IMF AND THE PARIS CLUB CREDITORS TO ALLEVIATE ZAIRE'S POSITION

4. CONTACTS WITH CONGRESS INDICATE GROWING CONCERN THAT OFFICIAL CREDITORS ARE IN EFFECT "BAILING-OUT" THE PRIVATE BANKS IN THE ZAIRE SITUATION. IN THESE CONTACTS, WE ARE STRESSING OUR BELIEF THAT THERE SHOULD BE ROUGH COMPARABILITY IN THE TREATMENT OF PUBLIC AND PRIVATE CREDITORS. IF CITIBANK MANEUVERS ZAIRE INTO A POSITION WHEREBY ZAIRE'S ABILITY TO REPAY 180-DAY REVOLVING BANK CREDITS IS CLEARLY DEPENDENT ON OFFICIAL DEBT RELIEF THE USG ABILITY TO PARTICIPATE IN RESCHEDULING IS CALLED INTO QUESTION. CHRISTOPHER
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